

East Asian Economic Regionalization

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Abstract

Because USA had decided to withdraw TPP and WTO multilateral negotiations had bogged down, the two sides' unbalanced relationship (China and USA), and East Asian region is increasingly important, making regional integration in Asia has become a trend and the construction of FTA with many closed countries is a critical policy objective. The first one is large-scale integration agreement with the US-led Trans-Pacific Partnership Agreement (TPP) and the other is ten countries of ASEAN Regional Comprehensive Economic Partnership Agreement document (RCEP). Also, other FTA such as those between China and South Korea, or China, Japan and South Korea, are making impacts in the global economy. In this complicated situation, China, as well as Taiwan, needs to develop its East Asian growth strategy to get stronger in the near future.

Keywords: WTO, TPP, RCEP, FTA, One Belt One Road, TTIP

1. Introduction

According to WTO database, there were 34 FTA agreements before 1995. Between 1995 and 2014, FTA numbers increased to 258. The main reason is WTO's function is broken down and each country has short term's politics and economic benefits are needed to be addressed. Now, Regionalism is the main stream in the world; especially, East Asia is the most important focus point.

Table 1 East Asian key FTA updates

	TPP	RCEP	China Japan South Korea FTA	China south Korea FTA	TTIP
Participating countries	Brunei, Chile, New Zealand, Singapore, Australia, Malaysia, Peru, United States, Vietnam, Mexico, Canada, Japan	Brunei, Cambodia, Chile, Indonesia, Philippines, Myanmar, Thailand, New Zealand, Singapore, Australia, Malaysia, Peru, United States, Vietnam, Mexico, Canada, Japan, China, India,	China, Japan and South Korea	China and South Korea	United States and EU
Leading country	United states (withdrew)	ASEAN and China	China	China	United States and EU
Requirement	High standard	Normal standard	Normal	Normal	High standard
Latest status	President Trump had stopped the process and Japan is expected to take ownership	The first RCEP summit was held on Nov 14,2017 in Manila, Philippines	Had finished 12th round negotiations in Japan (2017) and no improvement	Had signed the formal FTA	Had finished 15th round negotiations. The 15th round of negotiations: 3-7 October 2016 in New York

Asia has China and ASEAN. These two are super stars and the world is paying great attention to them. Among many FTAs, items such as TPP, RCEP, China South Korea and China Japan South Korea are critical and it is worth understanding them clearly.

First let's look at the **background of TTIP**

US President Barack Obama addressed the TTIP idea during his State of the Union speech in February 2013. After that, the European Commission Chair, Jose Manuel Barroso, announced that they would create "Atlantic Trade and Investment Partnership Agreement" (TTIP) and encouraged Japan and the EU to sign a free trade

agreement (FTA). TTIP, if established, will allow both Europe and the US to increase their GDP by over 50 percent, accounting for 30 percent of global trade; with their GDP combined with that of Japan, the global trade and investment structure will change dramatically (Daniel S. Hamilton, 2014).

The Transatlantic Trade and Investment Partnership (TTIP) is a proposed free trade agreement between the European Union and the United States. Proponents say the agreement would result in multilateral economic growth, while critics say it would increase corporate power and make it more difficult for governments to regulate markets for public benefit (Ferdinand De Ville and Gabriel Siles-Brügge, 2015). The American government considers the TTIP a companion agreement to the Trans-Pacific Partnership. After a proposed draft was leaked in March 2014, the European Commission launched a public consultation on a limited set of clauses and in January 2015 published parts of an overview.

The negotiations were halted indefinitely following the 2016 United States presidential election, but by mid-2017, representatives of both the US and the EU expressed willingness to resume the negotiations Alasdair R. Young (2017).

The negotiations were planned to be finalized by the end of 2014, but would have not been finished more than five years later, until 2019 or 2020 following a normal negotiation schedule, according to the economist Hosuk Lee-Makiyama in 2015.

China- South Korea FTA

The China–South Korea Free Trade Agreement is a proposed free trade agreement between China and South Korea. Negotiations on the agreement started in May 2012. As of July 2014 there have been 12 rounds of talks. Three years after negotiations began, China and South Korea have officially signed a free trade agreement. Chinese Commerce Minister Gao Hucheng and South Korean Trade Minister Yoon Sang-jick inked the document on Monday in Seoul, with President Xi Jinping and Park Geun-hye sending along letters expressing their support for and commitment to the deal (Liu Wen, 2014).

The agreement was finalized in November 2014. On the sidelines of the APEC meeting in Beijing, Xi and Park announced that negotiations had been completed on a deal expected to eventually eliminate tariffs on 90 percent of the goods traded between China and South Korea. Now that it's been officially signed, the FTA is expected to enter into force later this year, once both legislatures have approved it.

Seoul's trade ministry estimates the deal will boost China-South Korea trade to over \$300 billion a year, up from \$215 billion in 2012, when the negotiations began. It's also projected to lift South Korea's GDP by roughly 1 percent over the next ten years. China, meanwhile, is expected to see its GDP rise by 0.3 percent during the same time frame thanks to the FTA. And we could see more benefits in the future, as the two sides are expected to begin negotiation over removing barriers to the service sector in 2017.

Though both China and South Korea have other FTAs in the books, this deal is uniquely significant. China is already South Korea's largest trading partner, and Seoul expects this deal to produce unique dividends on par with the size of the overall trade relationship. The FTA with South Korea is also China's largest such deal in terms of the trade volume affected.

China–Japan–South Korea Free Trade Agreement

This FTA proposed free trade agreement between China, Japan and South Korea. Negotiations on the agreement were set in motion in 2012 (Thomas Schommers, 2012). The first official talks on the matter were held in Seoul from 26–28 March 2013. Further talks were held in China and Japan throughout 2013, and more were scheduled for early 2014. Trade among the three economies totaled US\$690 billion in 2011; however, progress on negotiations may be hampered by ongoing territorial disputes among the participants.

The twelfth round of discussions was held in Tokyo, Japan on April 2017. In this round of negotiations, areas such as Trade in Goods, Trade in Services, Investment, amongst others, will be discussed. However, Japan still has the serious concerns about agricultural tariff and is unable to reach agreements with China and South Korea.

China, Japan, and South Korea together account for 90 percent of East Asian GDP and 20 percent of global GDP, a higher share than the European Union. This FTA is the second largest zone in the world, only after NAFTA, if the agreement is reached (Li Dong, 2014). However, trade between the three countries takes up less than 20 percent of their overall foreign trade. There is much opportunity for greater trade and growth to the benefit of all three countries. To improve its external trade environment, China should push forward the passage of the China-Japan-Korea Free Trade Agreement, which was first proposed in 2002 but has not progressed. China should devote major economic and diplomatic resources towards facilitating these negotiations in order to finally achieve tariff reductions and preferential market access among the three countries (Hyungdo, Ahn, Lee Changjae, and Lee Hongshik, 2006). The advantages are overwhelming.

Furthermore, China could use this Agreement as a counterbalance to the Trans-Pacific Partnership (TPP). If the three countries approve the Agreement, it would form a free trade area larger than that of North America, with similar economic power. More broadly, an Agreement would advance the integration of Asian economies, and China would be able to lead this process (Francoise Nicolas, 2016). Building on the foundation of the

Agreement, China could further facilitate the passage of the Regional Comprehensive Economic Partnership (RCEP), which is a proposed free trade agreement between 10 ASEAN member countries and the six states with which ASEAN have existing free trade agreements, including the three East Asian countries. The whole region's status in world economy would rise. As the leader of the integration process, China would finally become a maker of the world economic order rather than a taker, and would obtain a position in the world economy that matches its economic power (Chengliang Xue, 2017).

TPP

The New Trans-Pacific Partnership (TPP), or the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), is a trade agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam (Cathleen Cimino-Isaacs and Jeffrey Schott, 2016). The agreement, originally signed on 4 February 2016, is being renegotiated after the United States withdrew. The eleven remaining members reached a partial agreement on 11 November 2017. Originally, it is a proposed trade agreement between several Pacific Rim countries concerning a variety of matters of economic policy. Among other things, the TPP seeks to lower trade barriers such as tariffs, establish a common framework for intellectual property, enforce standards for labor law and environmental law, and establish an investor-state dispute settlement mechanism. The stated goal of the agreement is to "enhance trade and investment among the TPP partner countries, to promote innovation, economic growth and development, and to support the creation and retention of jobs. TPP is considered by the United States government as the companion agreement to TTIP (the Transatlantic Trade and Investment Partnership), a broadly similar agreement between the United States and the European Union.

Historically, the TPP is an expansion of the Trans-Pacific Strategic Economic Partnership Agreement (TPSEP or P4) which was signed by Brunei, Chile, Singapore, and New Zealand in 2006. Beginning in 2008, additional countries joined for a broader agreement: Australia, Canada, Japan, Malaysia, Mexico, Peru, the United States, and Vietnam, bringing the total number of participating countries to twelve.

Participating countries set the goal of wrapping up negotiations in 2012, but contentious issues such as agriculture, intellectual property, and services and investments have caused negotiations to continue into the present, with the latest round of negotiations in July 2015. Implementation of the TPP is one of the primary goals of the trade agenda of the Obama administration in the United States of America.

During the 2016 presidential campaign, Donald Trump vowed to withdraw the United States from the Trans-Pacific Partnership if elected. He argued that the agreement would "undermine" the U.S. economy and their independence. On 21 November 2016, in a video message, Trump introduced an economic strategy of "putting America first", stating that he would negotiate "fair, bilateral trade deals that bring jobs and industry back onto American shores." As part of this plan, Trump confirmed his intent for the United States to withdraw from the Trans-Pacific Partnership on his first day in office. McConnell affirmed that the TPP would not be considered during the lame-duck session of Congress preceding the inauguration of Trump. President Trump signed a Presidential memorandum to withdraw the U.S. from the TPP on 23 January 2017. U.S. Senator John McCain criticized the withdrawal, saying "it will send a troubling signal of American disengagement in the Asia-Pacific region at a time we can least afford it. U.S. Senator Bernie Sanders applauded the move, saying "For the last 30 years, we have had a series of trade deals[...] which have cost us millions of decent-paying jobs and caused a 'race to the bottom' which has lowered wages for American workers."

TPP's future was uncertain given US withdrawal. Several signatories signaled their intentions to rework TPP without US participation.

RCEP

Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement (FTA) between the ten member states of the Association of Southeast Asian Nations (ASEAN) (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) and the six states with which ASEAN has existing free trade agreements (Australia, China, India, Japan, South Korea and New Zealand).

RCEP negotiations were formally launched in November 2012 at the ASEAN Summit in Cambodia. The free trade agreement is scheduled and expected to be signed in November 2018 during the ASEAN Summit and Related Summit in Singapore, after the first RCEP summit was held on 14 November 2017 in Manila, Philippines. RCEP is viewed as an alternative to the Trans-Pacific Partnership (TPP), a proposed trade agreement which includes several Asian and American nations but excludes China and India (Sanchita Basu Das, 2015).

The RCEP seeks to achieve a modern and comprehensive trade agreement among members. The core of the negotiating agenda would cover trade in goods and services, investment, economic and technical cooperation and dispute settlement. The partnership would be a powerful vehicle to support the spread of global production networks and reduce the inefficiencies of multiple Asian trade agreements that exist presently.

In 2017, prospective RCEP member states accounted for a population of 3.4 billion people with a total Gross Domestic Product (GDP, PPP) of \$49.5 trillion, approximately 39 percent of the world's GDP, with the

combined GDPs of China and India making up more than half that amount. It is the world's largest trading bloc, covering nearly half of the global economy.

Figure 1 GDP projections for potential RCEP member countries to 2050

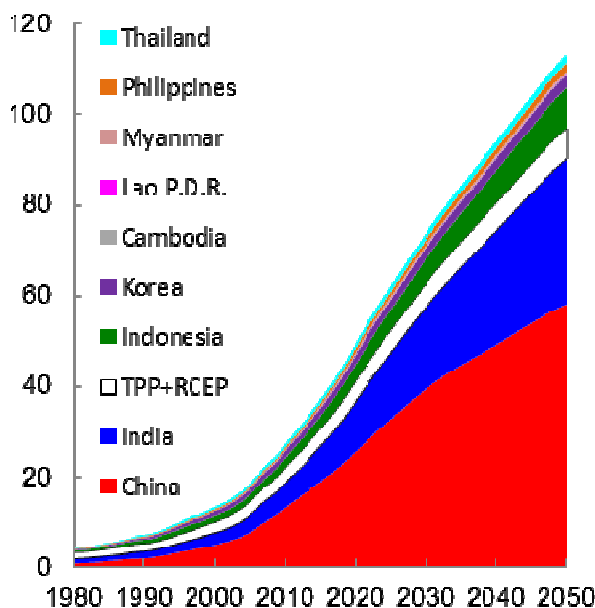
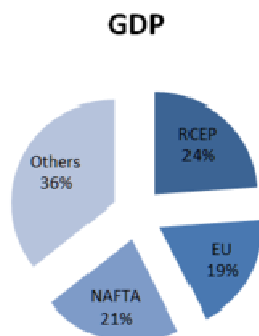


Figure 2 RCEP GDP – 2012 IMF - World Economic Outlook Databases (October 2013)



RCEP vs. TPP

The first RCEP summit was held on Nov 14 in Manila, Philippines. The participants set the last trade liberalization ratio at 80 percents. Some countries agreed to take exceptional measures. This move brought substantive progress in RCEP negotiations.

The RCEP takes into account the East Asia Free Trade Agreement (EAFTA) and the Comprehensive Economic Partnership in East Asia (CEPEA) initiatives, with the difference that the RCEP is not working on a pre-determined membership. Instead, it is based on open accession which enables participation of any of the ASEAN FTA partners (China, Korea, Japan, India and Australia-New Zealand) at the outset or later when they are ready to join. The arrangement is also open to any other external economic partners, such as nations in Central Asia and remaining nations in South Asia and Oceania.

Along with the Trans Pacific Partnership (TPP), the RCEP is a possible pathway to a free trade area of the Asia-Pacific, and a contribution to building momentum for global trade reform. Both the RCEP and TPP are ambitious FTAs and will involve complex negotiations as it involves multiple parties and sectors. The TPP and RCEP are potentially mutually-reinforcing parallel tracks for regional integration, which could ultimately lead to a Free Trade Area of the Asia Pacific.

There are many reasons to impact East Asian economics. Besides WTO is going down and local FTA is up, other key issue is imbalance of China-US relations.

2. Imbalance of China-US relations

In the past 30 years, China-US mutual dependence (Yang Li and Xiaojing Zhang, 2017) has been increasingly

high. The US is dependent upon imports of cheap Chinese products and China's local consumers, while China is also willing to lend surplus reserves to the United States to balance the huge US budget deficit.

"In short this dependence is - Chinese exports to the US cheaper products, get high trade surplus, foreign exchange accumulation by buying US Treasury bonds and lend the way the United States, the US balance a huge budget deficit by issuing treasury bonds, a steady flow of funds into China to help American families take advantage of real estate prices to meet expanding consumer desires. From an industry point of view, the dimensions, the manufacturing sector is the US Company will be transferred to China, Chinese workers get jobs, Chinese enterprises get orders received growth opportunities, while US companies reduce costs, increase profits, and US consumers get cheaper goods.

From the financial dimension to the industry level, the economies of China and the US are extricable mingled. China is increasingly resorting to the United States; take it as sustenance of its economic development strategy. At the same time, the United States relies heavily on China; depending on it as a major source of growth." However, trouble springs from this fact too Because the trade surplus rose from \$ 28.08 billion in 2001 to \$ 202.3 billion in 2011, the United States Congress for many years has accused China of manipulating its currency to obtain an export advantage and used it as an excuse for imposing trade sanctions on China.. The US politicians also accused Chinese enterprises of "stealing" American jobs.

On the other hand, the Chinese buy a lot of US Treasury bonds, China's total holdings of US Treasury bonds rose from just \$ 60 billion in 2000 to as high as \$ 1.3 trillion in 2013, with the exception also holds \$ 700 billion in fixed income instruments - mainly Fannie Mae, Freddie Mac and other so-called "government agency bonds."

Many Chinese believe that the trillions of dollars of US Treasury is being spent in buying foreign exchange reserves and settlement currency, causing too much printing of Yuan. After the 2008 financial crisis, the purchase of Fannie Mae and Freddie Mac bonds has become a target of public criticism.

Modern psychology has a term called the interdependence between two people, who need each other to survive and identify themselves through mutual feedbacks. But this relationship is unstable. The more dependent on each other they are, the more they will lose their identifies. That creates friction and even conflict. This interdependence is unhealthy, unstable and unsustainable.

The outbreak of the 2008 financial tsunami completely exposed the dangers of the two countries' "interdependence" - The United States' voracious asset bubble and credit crisis, as well as China's export-oriented production model, has been tested to the limit.

In the post-crisis world, the "China can't expect consumers to support its beleaguered exports to the US, and its seemingly invincible economic strength. The United States also can't be return to its bubble economy, and then expect to be repaired.

China and the US are consciously trying to solve this problem. China is trying to boost its domestic demand and increase the share of the service sector in its GDP.

In the last model, the United States is the ultimate consumer, and China is the ultimate producer. Producers are now committed to increasing domestic consumption; the consumer is also dedicated to production. The Obama administration proposed the revival of the United States manufacturing sector; the federal government has increasingly invested in manufacturing research and development and infrastructure.

The core issue of the US economy is its low savings rate. The US is heavily dependent on foreign savings to maintain economic growth, including China's foreign exchange reserves to buy US Treasury bonds. This also contributed to the underlying causes of the China-US trade imbalance. Without the support of China and loan funds, the United States can't continue its current growth model, which would lead to higher interest rates, a lower dollar, China-US economic relations will involve more conflict and tension.

Because of new situation, China and US have different strategies to address the changing environment.

Strategy - China "One Belt and One Road" vs. US "Asia Rebalance (or Pivot to Asia)"

The shift from imbalance to "re-balance" means the United States will choose farewell to some extent "interdependent" relationship. In fact, in addition to adjusting the bilateral relations, the two countries are consciously departing from the dependence on each other and instead looking for other growth drivers.

China "One Belt and One Road"

China's strategy is called The Silk Road Economic Belt and the 21st-century Maritime Silk Road, better known as the One Belt and One Road Initiative (OBOR) (B K Sharma and Dr. Nivedit Das Kundu, 2017). The Belt and Road (B&R) and The Belt and Road Initiative (BRI) is a development strategy proposed by China's paramount leader Xi Jinping that focuses on connectivity and cooperation between Eurasian countries, primarily the People's Republic of China (PRC), the land-based Silk Road Economic Belt (SREB) and the oceangoing Maritime Silk Road (MSR).

In September 2013, Chinese President Xi Jinping during the visit to the Central Asian and Southeast Asian countries proposed to build a "Silk Road economic belt" and "21st-Century Maritime Silk Road".

According to preliminary estimates, the strategy is covering a total population of about 4.4 billion, and a

total of \$ 21 trillion worth of economy. In order to provide sufficient money to build all necessary infrastructures, On October 2, 2013, Xi Jinping proposed to build initiatives in the Asia Infrastructure Investment Bank (Asian investment bank), this statutory capital is \$ 100 billion, with a focus Asian infrastructure support aimed at promoting Asian regional construction process of interconnection and interoperability of economic integration, is headquartered in Beijing.

Currently nearly 60 countries have already joined or expressed wishes to join; only the United States and Japan refused to join. The Asian investment bank predicts demands for investment in the Southeast Asian region are about as much as \$ 8 trillion from now to the year 2020.

The area of the initiative is primarily Asia and Europe, encompassing around 60 countries (Tai Wei Lim and Katherine Hui Tseng, 2016). Oceania and East Africa are also included. Anticipated cumulative investment over an indefinite timescale is variously put at US\$4 trillion or US\$8 trillion. The initiative has been contrasted with the two US-centric trading arrangements, the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership.

A prime example of the network is the Silk Road Railway departed in 2013, which goes through China's Xinjiang Autonomous Region, Kazakhstan, Russia, Belarus, Poland and Germany as a land connection between Asia and Europe. The Belt and Road Initiative is expected to bridge the 'infrastructure gap' and thus accelerate economic growth across the Asia Pacific area and Central and Eastern Europe: World Pensions Council (WPC) experts estimate that Asia excluding China will need up to \$900 billion of infrastructure investments per year during the next 10 years, mostly in debt instruments. They conclude that current infrastructure spending on the continent is insufficient by 50%. "The gaping need for long term capital explains why many Asian and Eastern European heads of state "gladly expressed their interest to join this new international financial institution focusing solely on 'real assets' and infrastructure-driven economic growth". The Global Times hosts a news desk dedicated to the Belt and Road Initiative.

The Belt and Road initiative is geographically structured along 6 corridors, and the 7th one is maritime Silk Road.

- New Eurasian Land Bridge, running from Western China to Western Russia through Kazakhstan.
- China–Mongolia–Russia Corridor, running from Northern China to Eastern Russia
- China–Central Asia–West Asia Corridor, running from Western China to Turkey
- China–Indochina Peninsula Corridor, running from Southern China to Singapore
- China–Myanmar–Bangladesh–India Corridor, running from Southern China to Myanmar
- China–Pakistan Corridor, running from South-Western China to Pakistan
- Maritime Silk Road, running from the Chinese Coast through Singapore to the Mediterranean

Figure 3 One Belt One Road



All the massive projects are required the huge amount budget to support them. China has created 2 major financial institutions, AIIB and Silk Road Fund, for One Belt and One Road initiatives.

AIIB

The Asian Infrastructure Investment Bank, first proposed by China in October 2013, is a development bank dedicated to lending for projects regarding infrastructure (Pang Zhong Ying Bian, 2016). As of 2015, China announced that over one trillion yuan (\$160 billion US) of infrastructure projects were in planning or construction.

The primary goals of AIIB are to address the expanding infrastructure needs across Asia, enhance regional integration, promote economic development and improve the public access to social services. Board of Governors is AIIB's the highest decision-making body under the Asian Infrastructure Development Bank Articles of Agreement.

On 29 June 2015, the Articles of Agreement of the Asian Infrastructure Investment Bank (AIIB), the legal framework was signed in Beijing. The proposed multilateral bank has an authorized capital of \$100 billion, 75% of which will come from Asian and Oceania countries. China will be the single largest stakeholder, holding 26% of voting rights. The bank plans to start operation by year end

Silk Road Fund

In November 2014, Xi Jinping announced plans to create a 40 billion USD development fund, which will be distinguished from the banks created for the initiative. As a fund its role will be to invest in businesses rather than lend money for projects. The Karot Hydropower Project in Pakistan is the first investment project of the Silk Road Fund, and is not part of the much larger CPEC investment.

In January 2016, Sanxia Construction Corporation began work on the Karot Hydropower Station 50 kilometers (31 mi) from Islamabad. This is the Silk Road Fund's first foreign investment project. The Chinese government has already promised to provide Pakistan with at least 350 million USD by 2030 to finance the hydropower station.

US "Asia Rebalance (or Pivot to Asia)"

Obama administration's 2012 "Pivot to East Asia" (Kurt Campbell, 2016) regional strategy, whose key areas of actions are: "strengthening bilateral security alliances; deepening our working relationships with emerging powers, including with China; engaging with regional multilateral institutions; expanding trade and investment; forging a broad-based military presence; and advancing democracy and human rights." It means assigning higher priority and political, economic, and security resources to the region because of its dynamism and opportunities for the U.S.

The specific fundamental elements of the rebalancing have included:

- Strengthening of relationships with allies and partners, including emerging powers such as India and Indonesia;
- Embedding the U.S. in the emerging political, security, and economic architecture, including the East Asia Summit, the Trans-Pacific Partnership (TPP), and a more extensive and structured relationship with the Association of Southeast Asian Nations (ASEAN); and
- Maintaining a positive and stable relationship with China, in which cooperation on global issues develops and competition on security and economic issues is contained and managed.

There are frictions among these objectives, notably the challenges posed by the rise of China. Those challenges have been most manifest in the maritime and territorial disputes in the East China Sea between China and Japan, and in the South China Sea among the six claimants (China, Taiwan, Vietnam, Malaysia, Philippines, and Brunei).

American First

However, since 2016, President Donald Trump used the slogan, who has said that "'America First' will be the major and overriding theme" of his administration. It refers to a foreign policy in the United States that emphasizes American nationalism in international relations and that is often described as isolationist.

President Trump is working on many East Asian policies and all of them are related to bring jobs back to USA. On the other hand, China is using One Belt One Road and RCEP to replace USA old power. This is interesting to observe the re-balance situation between USA and China.

3. Private Capital in China

Because China realizes old and outdated companies can't increase efficiency and furthermore help China to compete in the worldwide market, China's government decided to bring private capital (Kwek Ping Yong, 2012) into the game and carefully scheduled to open the domestic market little by little. That is why we can see change in many areas like the example of banking. China's private capital is also actively layout "One Belt and One Road" as in the past Chinese companies export different products, and now Chinese companies are working in the global distribution of capital. China has accumulated over the past 15 years savings, "These funds should be used to place a higher rate of return instead of buying US Treasury bonds. Chinese private capital investment now is looking for good investment spot around the world, extensive range of industries, such as software, shopping mall or business jet leasing. Those are very promising industry.

The US manufacturing sector will benefit from the "manufacturing renaissance" plans. China's private capital also received the opportunity to upgrade from "One Belt and One Road" construction. Among US relations from the "imbalances" to "re-balance", the two countries may no longer be: American companies to invest in China - Chinese production and export of the United States - Foreign purchases of US Treasuries mode, replace it will be - more an increasing number of Chinese private capital investment in the United States directly. Chinese company to make strategic investments (Jin Kai, 2016) in the United States also has a lot of potential and opportunities.

Regardless of how the strategy of the two countries to make adjustments, for a very long period of time the two countries will continue to need each other, and there is a strength of the gap. On total GDP, China and the United States will continue to reduce the gap.

A lot of Americans are learning how to adapt to the increasingly powerful Chinese influence in the world because they know China-US economic relations are the most important factor for the future direction.

4. ASEAN's ten member states - rising star

Ten ASEAN countries' (Sanchita Basu Das, Jayant Menon, Rodolfo C. Severino, 2013) has a combined population of 600 million and it is a large market. Among them, Indonesia is the most populous country with a population of 249 million, accounting for ten countries of ASEAN's total population numbers nearly forty percent share. It also is ranking fourth population country, behind China, India and the United States.

Figure 4 ASEAN 10 members



The ten member states of ASEAN have a combined population of 600 million. Put together, they are a large market. Among them, Indonesia is the most populous country with a population of 249 million, accounting for 40 percent of ASEAN's total population. It is also the world's fourth most populous country behind China, India and the United States

The other member states include the Philippines with 100 million, Vietnam with 9.152 million, Thailand with 6.709 million, Myanmar with 5.458 million, Malaysia with 2.918 million and Cambodia with 1.495 million. A major feature of the ASEAN population is that the young, aged between 20 and 54, account for up to 55 percent of the total. That not only means an adequate supply of labor, but also ability to export labor to other countries.

Furthermore, to benefit from a good geographical environment and climatic conditions, the Southeast Asian region has abundant natural resources, with a deep potential for development.

Currently ASEAN has surpassed India's total GDP. Its combined GDP rose from \$ 600 billion in 2000 to 2.3 trillion dollars in 2012, and is expected to approach \$ 10 trillion in 2030 (Balbir Bhasin, 2011).

Moreover, with the rapid economic development in this area, the number of middle class people jumped quickly; in enhancing the role of spending power, this region is becoming one of the major world markets. However, there are significant gaps between the performances of its member states. Countries such as Myanmar and Cambodia will probably need some time to catch up with the others.

Industrial structure, the proportion of the service industry in Singapore is high, relatively close to the advanced countries, and the remaining countries in the agricultural and industrial dominated places.

In terms of industrial structure, the share that the service industry takes in the total GDP is high in Singapore which comes close to Western developed countries, and the other member states are predominantly agricultural and industrial.

Due to their similar cultures and close distance, Vietnam and Taiwan have developed closer economic and trade ties.

Taiwan is the largest investor in Myanmar. Vietnam is now being watched closely by China. The reason behind it is the highway network linking Southwest China and North Vietnam.

Moreover, China also plans to promote the Asian railways, as far as can be linked to Singapore; plus, there's the original local Lan Cang River - Mekong waterway transport is not a problem, the local market has developed into integrated (integrated market).

Besides, China and Vietnam are also working to promote "an axis two wings" of regional economic cooperation, to deepen integration. The so-called "one axis" means Nanning - Singapore Economic Corridor, and "wings" refer to the sub-PBG economic cooperation zone and the Greater Mekong Sub region.

Indonesia now has the most promising economic prospects of ASEAN countries, with a vast landmass and a large population, abundant natural resources and relative political stability and other advantages,

Taiwanese investment during 97 of the financial turmoil in Indonesia was mostly medium and small enterprises. Today there are many technology giant companies spotted Indonesia young population, spending power and network service preferences, while competing to local expansion opportunities.

Other countries like Malaysian, Thailand, mainland China and Taiwan are paying close attention. The biggest obstacle facing ASEAN co-development is the fact that Taiwan and other countries still have not signed a free trade agreement (FTA). In the short term, it is difficult for Taiwanese companies to cope with the situation. Reinvesting in mainland China and building cross-strait partnership is the only realistic way for Taiwan to go so

far.

5. Conclusion

East Asia actively explores "a full range" of new areas of cooperation, moving gradually from politics, diplomacy, and military security, to economic and trade cooperation and investment, branching out into the social and cultural fields, and actively promoting the link and integrating the mainland and Southeast Asia Society.

China is particularly interested in building infrastructure in ASEAN, involving railways, desalination projects, electricity supply, pharmaceuticals, information technology, steel, automobile, environmental protection and other fields. The costs of high-quality manpower are still relatively low at present. The Chinese government takes an open and positive attitude to cooperating with ASEAN countries in market-oriented computer electronics, machinery, automobile, fishing and agriculture.

On the other hand the new president of United States, Trump, seems like to withdraw the military as well as economics power away from South East Asia and only consternates his energy into American First programs. Lately, Singapore and South Korea have shown their great interest involving China's RCEP and One Belt One Road.

The Asian four tigers (Hong Kong, Singapore, South Korea and Taiwan) have excellent records to exceed the world expectation. Now, except Taiwan, the rest of three have the stronger alliance with Chinese government. However, Taiwanese new government officers look the opposite options. Furthermore, these dangerous polices and irrational plans have caused higher Taiwanese unemployment rate. During the 2017 ASEAN announced the strengthening of commercial exchanges and expand civil communication, and signed a memorandum of understanding such a huge investment plan with China , Taiwanese companies are not included in these opportunities. It is urgent to seek a starting point, in cooperation with the Chinese market into ASEAN ten countries. Especially Taiwan's manufacturing sector, it has been over developed and no competition advantage. When necessary, through the intergovernmental dialogue, Taiwan and China's enterprises can cooperate in the construction and development of the ten ASEAN countries.

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